

CONSUMER MOOD CONTINUES TO IMPROVE

Press release

Results of consumer confidence survey in Ukraine, a joint project between GfK Ukraine and the International Centre for Policy Studies

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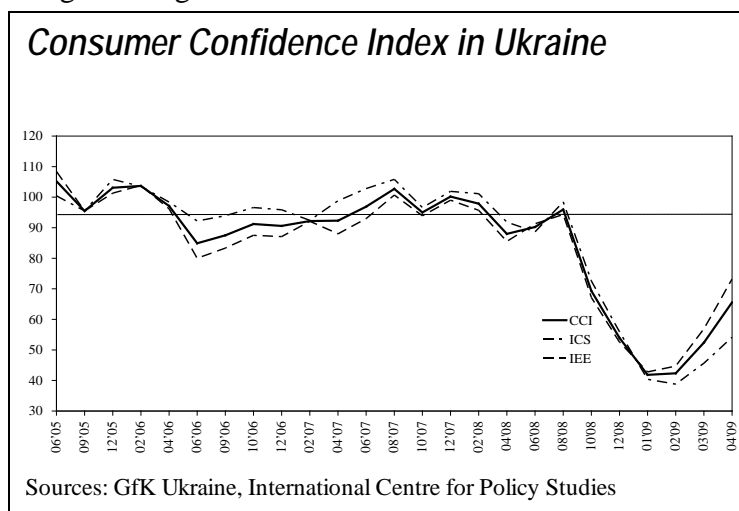
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April 2009 was the third consecutive month to see an improvement in the consumer mood in Ukraine. The Consumer Confidence Index (CCI) rose a further 13.2pp to reach 65.6. After having fallen to a record low in January 2009, the CCI has jumped a total of 23.8pp, indicating that a certain amount of optimism is returning among Ukrainian consumers. This is most likely because of the relative economic stability of the last few months and a strengthening of the hryvnia against the US dollar.

Economic expectations continue to improve more quickly among Ukraine's consumers than their estimate of the current situation. Thus, the Index of Economic Expectations (IEE) jumped 16.3pp in April, to reach 73.2. This indicates that the economic expectations of Ukrainians are already within range of their pre-crisis levels. This rise in the IEE was largely driven by an improvement in expectations of personal financial standing. The related index x2 grew the most, leaping 19.0pp to 76.6. Assessments of the prospects for economic growth in Ukraine also improved, with the index for short-term expectations x3 jumped 16.4pp to 83.3. This suggests that the residents of Ukraine are ever more expecting their personal material standing to improve in the next while, along with the overall economic situation.

Still, assessments of the current situation among Ukrainians show a substantial gap with economic expectations in terms of the level of optimism. The Index of the Current Situation (ICS) grew a modest 8.5pp in April, to reach 54.1. Assessments of current personal financial standing remain quite negative. This index x1 grew only 6.8pp to a still very low 47.1, indicating that the material standing of more than three quarters of Ukrainian consumers has grown worse over the last half-year. At the same time, the propensity to make major household purchase has begun to rise again, pushing the index of propensity to consume x5 up 10.2pp to 61.2.

Inflationary expectations also continue to improve in Ukraine, as do expectations of changes in unemployment. The Index of Expected Changes in Unemployment (IECU) fell 16.4pp to 138.8 in April 2009, which is close to its pre-crisis levels. The Index of Inflationary Expectations (IIE) improved somewhat less, falling 5.6pp to 180.2. This is one of the lowest levels it has shown over the last few years of this survey. It could be caused by the strengthening hryvnia as demand for most categories of goods and services continues to slide.



<i>Dynamic of Consumer Confidence Index in Ukraine</i>			
Month, year	Consumer Confidence Index (CCI)	Index of the Current Situation (ICS)	Index of Economic Expectations (IEE)
03'09	52.4	45.7	56.9
02'09	42.3	38.8	44.7
01'09	41.8	40.4	42.8
12'08	53.9	56.0	52.6
10'08	69.3	72.6	67.2
08'08	96.0	98.5	94.3
06'08	90.2	88.7	91.3
04'08	88.0	91.8	85.5
02'08	97.9	101.2	95.7
12'07	100.2	101.9	99.0
10'07	95.0	96.6	93.9
08'07	102.7	105.8	100.7
06'07	96.9	102.8	93.0
04'07	92.3	98.8	88.8
02'07	92.2	92.4	92.1
12'06	90.6	95.9	87.1
10'06	91.2	96.6	87.5
09'06	87.5	93.9	83.3
06'06	84.9	92.2	80.0
04'06	97.1	98.4	96.2
02'06	103.7	103.5	103.8
12'05	103.1	105.8	101.3
09'05	95.5	95.5	95.5
06'05	105.2	100.5	108.4
Sources: GfK Ukraine, International Centre for Policy Studies			

How the indices are calculated

From January 2009 consumer confidence survey is conducted on a monthly basis.

In Ukraine, the Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%.

To define the CCI, respondents are asked these questions:

1. How has the financial standing of your family changed over the last six months?
2. How do you think your family's financial standing will change in the next six months?
3. Looking at economic conditions in the country as a whole, do you think the next 12 months will be good or bad?
4. Looking at the next five years, will they be good ones or bad ones for the country's economy?
5. In terms of large purchases for your home, do you think now is generally a good time or a bad time to make such purchases?

Each of these questions is related to a corresponding index:

- Index of Current Personal Financial Standing (x1);
- Index of Expected Changes in Personal Financial Standing (x2);
- Index of Expected Economic Conditions in the Country Over the Next Year (x3);
- Index of Expected Economic Conditions in the Country Over the Next 5 Years (x4);
- Index of Propensity to Consume (x5).

Indices are constructed thus: the share of negative answers is deducted from the share of positive answers, and 100 is added to this difference in order to eliminate negative values. On the basis of these five indices, three aggregate indices are calculated:

- Consumer Confidence Index (CCI) as the arithmetic average of indices x1–x5;
- Index of the Current Situation (ICS) as the arithmetic average of indices x1 and x5;
- Index of Economic Expectations (IEE) as the arithmetic average of indices x2, x3, and x4.

Index values range from 0 to 200. The index equals 200 when all respondents positively assess the economic situation. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate the prevalence of negative assessments.

To determine the Index of Expected Changes in Unemployment (IECU) and the Index of Inflationary Expectations (IIE), the respondents are asked these two questions:

1. Do you think that within next 12 months the number of unemployed (people who do not have job and are looking for work) will increase, will remain roughly the same, or will decrease?
2. How do you think that prices for major consumer goods and services will change in the next 1–2 months?

The IECU and the IIE are calculated thus: the share of answers that indicate a decrease of unemployment/inflation is subtracted from the share of answers that indicate the growth of unemployment/inflation, and 100 is added to the difference to eliminate negative values. The values of indices can vary from 0 to 200. The index totals 200 when all residents expect an increase in unemployment/inflation.

GfK Ukraine is a Ukrainian research company, offering a comprehensive range of survey services and market research in Ukraine, Moldova and Belarus. GfK Ukraine is a member of the worldwide GfK Group which is the No. 4 market research organization worldwide. The Group has 115 companies covering over 100 countries.

The International Centre for Policy Studies is an independent research organisation whose mission is to introduce public policy concepts and procedures in Ukraine. ICPS focuses on key programs of importance for the reform efforts of the Ukrainian government